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## The Chinese Project “ One Belt One Road ” Toward Latin America and the Caribbean. Economic-financial implications

### *Abstract*

In September 2013, the president of the People's Republic of China, Xi Jinping presented in Kazakhstan the idea of the great project *Belt and Road Initiative* (BRI). Two years later Beijing made official the megaproject with the institutionalization of six corridors and its two slopes, the Economic Belt of the Silk Road and the Maritime Silk Road of the 21st century. In its initial projection the connection of Asia with Europe, crossing the Middle East and involving Africa was proposed. However, starting in 2016, the extension to Latin America and the Caribbean is being projected, through the development of a series of economic-financial projects. The article uses primary and secondary sources, and a narrative style, to argue that BRI is more than an infrastructure and economic initiative. The major objective of the study is to determine and highlight the relevance of economic-financial dimensions, without downplaying the obvious political implications.

**Keywords:** Belt and Road Initiative; China; Geostrategy; Latin America and Caribbean; Integration

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## Introduction

The rise of China as a global power has been an event of greatest geostrategic value in recent years. Though, indeed, one of the most important processes that has contributed to this Chinese emergence has been *The Belt and Road Initiative* (BRI). Since Xi Jinping became president and secretary general of the Communist Party of China, he began to express the BRI proposal presented for the first time in Kazakhstan and later in Indonesia in 2013. In 2015, China officially recognized BRI as the most important initiative taken in the framework of the Reform and Opening process. Beijing devotes great resources to the development and expansion of BRI with the support of the participating countries on the basis of a win-win relationship. The New Silk Road as it is also known consists of two parts, one with the name of The Silk Road Economic Belt and another called the 21st Century Maritime Silk Road.

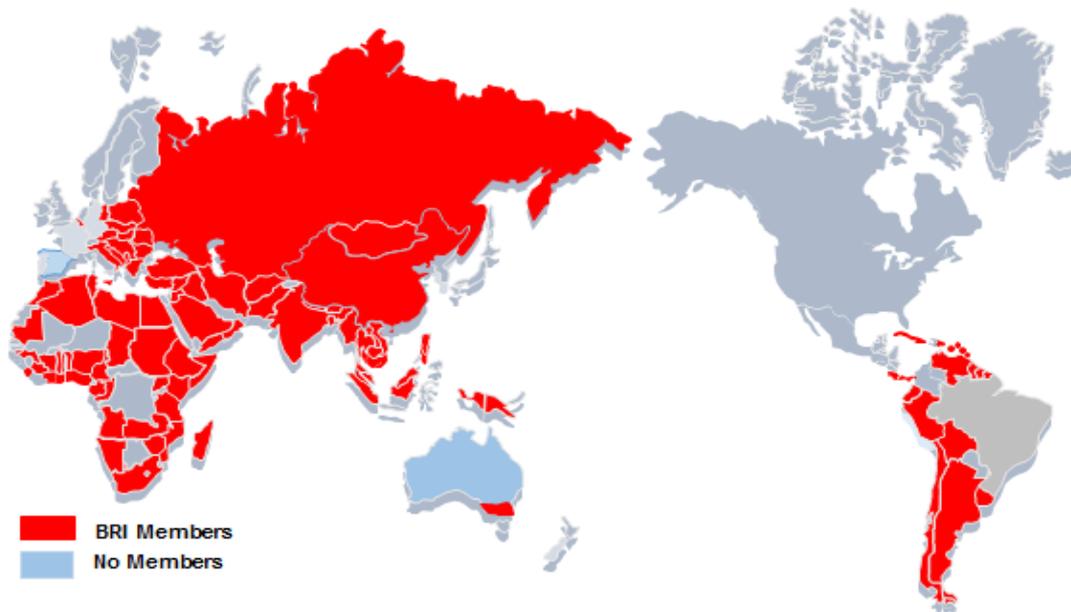
The project that aims to revive the ancient Silk Road may seem like an economic initiative; however, this article argues that it is much more than that. Sometimes BRI is compared with the Marshall Plan, but is very different. The changes in the situation of the participant country in BRI related to the national interests of China, do not imply the end of the participation in projects of this initiative. In contrast, in the Marshall Plan, the program administrator could terminate the program when, following a change in the situation of the participating country, it was not in accordance with the national interests of the United States. While BRI does not impose conditions on members related to the stability of the Chinese economy, the Marshall Plan emphasized that it would not endanger the economic stability of the US. In BRI, China does not establish aid periods, but in the Marshall Plan, the US established an aid period between April 1948 and June 1952. The biggest difference is that, while the US plan sought to

rebuild after a great war, the Chinese initiative aims to prevent a war through the inclusion in a development project (González 2019).

BRI from 2015 to 2019 increased the participation of countries and territories not only in Asia, the Middle East and Europe as planned, but also included nations from Africa, Latin America and the Caribbean (IISS 2018). The initiative has focused on specific objectives: to improve coordination policies across the Asian continent, to promote trade liberalization, to develop financial integration and regional connectivity and to promote the cultural exchange.

BRI started with six official corridors: China-Mongolia-Russia Economic Corridor, New Eurasian land bridge, China-Central Asia-Middle East Economic Corridor, China-Pakistan Economic Corridor (CECP), China Economic Corridor - Bangladesh-Myanmar-India and Economic Corridor China-Indochina Peninsula (Hong 2016). New corridors were developed although it hasn't been officially defined: the Arctic Route, the interconnected route through sub-Saharan Africa and the Maritime Belt to Latin America and the Caribbean.

Until mid-April 2019 a total of 124 countries (map 1) and 29 international organizations have signed BRI cooperation documents with China (Jiechi 2019). The BRI is now just six years old and already encompasses countries that account for half the world's economic activity. BRI now forms the world's largest trade and investment area. At the same time, BRI is one of the main plans of Chinese statecraft under Xi, alongside the *Made in China 2025* economic development strategy. With BRI, China has further expanded sectors accepting foreign investment to create a business environment of high international standards. It has opened 12 pilot free trade zones for global business and experimented with free trade ports to attract investment from participating countries of the *Belt and Road Initiative*. In fact, China's average tariffs have dropped from 15.3% when it joined the World Trade Organization to 7.5% today.

**Map 1.** BRI members around the world

*Source:* Own elaboration from HKTDC (2019)

### **The relevance of the Belt and Road Initiative in recent years**

According to the Leading Group for Promoting the Belt and Road Initiative (2019) from 2013 to 2018 China's direct investment in BRI countries surpassed 90 billion dollars, realizing a turnover of 400 billion dollars in foreign contracted projects in these countries. In 2018 Chinese businesses made a total of 15.6 billion dollars in non-financial direct investment in BRI countries, growing by 8.9% year on year and accounting for 13% of China's total non-financial foreign direct investments during the same period. The turnover of foreign contracted projects in BRI countries reached 89.3 billion dollars, or 53% of the total turnover of foreign contracted projects in the same period.

BRI is the top project of China in recent times for the dimensions that it has from the geopolitical, economic and financial point of view. In political terms, it will allow a greater role

in global affairs and economically be indispensable for the growth of other export-oriented economies and the need for financing, but in turn for their companies to gain space in the world market against the competition of other large of recognized prestige.

BRI responds to the logic of development more focused on the change of the Chinese model towards internal consumption, with the intention of continuing to diversify its routes and commercial partners, especially in the current context of tensions with the United States. In turn, it promotes new consumer markets for products that do not find a place in the saturated domestic market. At the same time, it guarantees the supply of energy and raw materials, essential for the economic and social stability of the country. Finally, it amplifies its logistic structure and builds a trade network around China. Regarding conflictive issues, China hopes to create more stability in the less developed and / or conflictive regions along the route (Xinjiang, Tibet, Afghanistan, Pakistan, Myanmar), and to consolidate a secure transport network that will allow to continue trading with the European Union (EU), final destination and most important commercial partner for China.

The route has specific objectives, especially to boost the Chinese economy, based on the need to change the model that is not supplemented by internal consumption yet, as well as contributing to its rise as a global power. This is a decisive project and capable of metabolizing other mechanisms for its support, such as the cases of the Eurasian Economic Union (EAEU), the Shanghai Cooperation Organization (SCO) and the Association of Southeast Asian Nations (ASEAN), among others (ISDP 2016).

With the celebration of the XIX Congress of the Chinese Communist Party in October 2017, BRI acquired greater official and priority. In that same year, Africa and Latin America and the Caribbean began to gain interest in BRI. That interest promoted and statement by Xi Jinping

for these regions to join the great initiative. Particularly in Latin America and the Caribbean, with the request of Panama in December 2017.

### **Latin America and the Caribbean in the Belt and Road Initiative**

Until 2015, Latin America and the Caribbean concentrated Chinese foreign direct investments in the natural resources sector, as indicated in the articles of Casanova, Quer and Dalla Costa published in this special issue. Criticism towards Beijing is linked above all to this issue, due to the deepening of the regional dependence on exports of natural resources. Certainly, in this sense, the governments of the Latin American and Caribbean region have not considered a change in their productive models that are less dependent on natural resources and do advance in other sectors of strategic interest. It is not in this sense to blame China entirely.

From 2015, there has been a change of Beijing policy towards the region. China had been working in a substantial framework known as the *1+3+6 Mechanism*. This consists in a Plan for China-Latin America and the Caribbean Cooperation for the period 2015-2019, three driving forces integrated by trade, investment and financial cooperation. In addition, all supported by six key points: energy and resources, infrastructure, agriculture, manufacturing, scientific-technical innovation and information technology (China-CELAC 2015). In this strategy, Beijing proposes the region to go towards a relationship process based on winning both parties and not focusing only on natural resources. Undoubtedly this would contribute to the diversification of the sectors to invest and also to the participation of other Chinese companies in the area.

At the same time, China's policy towards Latin America and the Caribbean proposed to actively explore the new modality of cooperation in productive capacity, which was defined as "3x3".

This consists of jointly building the three bridges, that is, logistics, electric power and information technology, materializing the virtuous interaction between companies, society and government, as well as broadening the three financing channels such as funds, credits and insurance". China advances with this strategy from 2015 in Latin America and the Caribbean in sectors such as: telecommunications, electronic components, banking, transport, renewable energy, automotive, pharmaceutical, textile and construction (China-CELAC 2015).

### **The participation of Chinese companies in the great project: global impacts**

*The Belt and Road Initiative* proposes multiple sectors of cooperation that focus primarily on investment and the construction of an infrastructure network that interconnects its members and thus enables the progress of all its projects. For this, Beijing is focusing on increasing direct investment and infrastructure construction in Asia, Europe, Africa and Latin America and the Caribbean, especially in bridges, highways, ports and high-speed trains, although the latter do not always represent a type of optimal investment.

The role and efficiency of Chinese companies in achieving the aforementioned purposes is key. The exponential growth experienced by large Chinese groups in recent years, especially construction of infrastructure, has caused a significant change in the global business map. In this order, the big Chinese state corporations have taken the top positions in the construction ranking thanks to the advance of the domestic economy in the current 21st century. Its progress contributes to the strategy of BRI but also conditions a higher level of competition in various sectors compared to traditionally leading companies in Europe, the United States and Japan. In the construction sector, among the ten largest contractors in the world in the 2017 ranking, seven are Chinese companies. China State Construction Engineering Corp. LTD occupies first

place in the ranking, it also held that position in 2016, including billing and projects to mention some examples of evaluation in the ranking (ENR 2017). Other companies such as China Railway Group LTD. (CRG), China Railway Construction Corp. LTD., China Communications Construction Group LTD., among others, are more relevant at worldwide.

Although one of the largest projects undertaken by China was to unite Asia with Europe by railway, some issues that affect the development of rail transport between China and Europe still need to be resolved, such as the great congestion in some routes and different track widths. Less than 10 years ago, the idea of a railway connection between China and the European Union was unthinkable. However, in 2016, more than 500,000 tons of goods have been sent by rail from different parts of the Asian country to a growing number of European destinations.

In general, Chinese contractors prefer to partner with large, well-known international players to benefit from their credibility and reputation. This situation needs the leading role of large companies in the sector, but on the other hand, some are already wondering if maritime operators should be concerned. In other words, if the freight traffic increases by land, this will have an impact on the maritime transport system. However, China foresees in the Maritime Belt of the 21st Century the development of ports and an interconnected road with a system of maritime cargo transport. Given the divided opinions, it is stated that no private company has shown interest in continuing the expansion. In the particular case of the Maersk shipping company with headquarter in Copenhagen, Denmark, he pointed out that although trains can reduce the future growth of maritime transport, they should not affect the existence of the business itself.

### **The connections of China with Europe and Latin America in the BRI framework**

According to Parra (2017), "the connection with the heart of Europe is made through the New Eurasian Land Bridge on a 10 000km route that connects China with Europe through Russia. The project includes the construction of three major railway projects that bring the markets of the westernmost Chinese provinces closer to the main hub cities in Europe. (...) Spain participates since December 2014 as ends of the freight train known as Yixinou, linking Madrid with the Chinese city of Yiwu, Zhejiang province, on a journey that covers 13503 km in 21 days (...)" .

It is proposed that the process of modernization of the main connections between China and Europe implies a capacity of three million TEUs, similar to that provided by maritime transport. Also, the national railway operator of Kazakhstan, KTZ, will have a capacity of 1.7 million containers per year between Europe and China for 2020. Work is being carried out on the rail connection by China and its companies in order to reduce the transit time of the merchandise and reduce the risk of damage in conflictive areas, whether it is impacted by pirates in the Indian Ocean or clashes on maritime routes in conflicts. One of the problems that Chinese companies must face is the homologation of track gauges, taking into account that in Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan, containers must be unloaded and loaded again due to the differences in the road widths of the different countries. In this sense, this implies a greater delay and affectation in which one must work.

BRI's progress towards Latin America and the Caribbean also implies the need for greater interconnection. It is no coincidence that some projects have already been proposed, some of them paralyzed, as in the case of the Interoceanic Canal of Nicaragua or the Interoceanic

Railway Brazil-Peru-Bolivia or others for the construction of railway infrastructure in Central America or in the Argentina-Chile Corridor.

The progress of infrastructure projects in the region will be of great importance for interconnection, but in turn, the growing presence of Chinese companies in the region represents a major challenge for major European construction competitors. Currently, Spanish companies such as Acciona, Ferrovial, OHL, Sacyr and ACS, among others, build railways, airports, office buildings, hotels, shopping centers, hospitals, highways, electricity networks (Laguens 2018). The penetration of Chinese companies within the framework of BRI to this area could take place either by complementing these Spanish companies due to the need for infrastructure in the region, or by competing against them. An example of the cooperation is the agreement signed between Spain and Bolivia in August 2018, with the visit of Spanish President, Pedro Sánchez, for the development of the Peru-Bolivia binational railway as part of the Interoceanic Railway project.

Companies previously mentioned as China Communications Construction Group, Power Construction and others such as China State Construction Engineering Corp and China Railway Group Limited are gaining more opportunities to participate in global projects (Obras 2019). This is due to the financial support of the Chinese Government that allows them greater competition against their European rivals. China is proposing an interconnected network that links the Atlantic with the Pacific in South America, but at the same time, projects are emerging that come from Central America from Costa Rica to Panama with access to the Canal. All this implies a level of relationship between countries in the region that belong to BRI and China, which will not only favor greater interconnections, but also greater trade.

According to (Núñez 2018), before the need to build regional infrastructure and the crisis generated by the Odebrecht Company related to corruption in different countries, there were opportunities for Chinese companies in the construction sector. Those projects linked to Odebrecht aim to distance themselves and therefore seek business with other internationally renowned ones.

### **Chinese acquisitions and investments in Latin America**

The development of the privatization processes of the governments of Argentina and Brazil in the period 2016-2018 has contributed to the increase of the acquisitions of companies in these countries by China.

At the end of 2016, there were 2,058 companies from various sectors of source Chinese capital in the area, almost double in relation to 2012 (1,088 companies). The total works contracts of these companies amounted to 14.5 billion dollars in 2017. In 2016, the value of the works contracts signed by Chinese companies in Latin America reached 19.1 billion dollars, raising the accumulated value to 145 billion dollars (China-CELAC Forum 2018).

Another sector that is expanding with the advance of BRI is the port activity. In that sense it occurs in ports and channels such as Panama, Sri Lanka, Pakistan, Greece, among others. Particularly in the latter country, China signed a lease agreement for the largest Greek port Pireo. In this activity, renowned companies such as the state China Ocean Shipping Company (COSCO), moves forward in the objectives of the Chinese initiative. China has committed to invest at least 350 million euros over the next ten years in the port, in addition to the 200 million euros already invested in the two container terminals operated by COSCO under a 35-year

concession. The logistics centers at the port terminals facilitate the distribution of Chinese products, such as Huawei and ZTE, and their entry to the rest of Europe.

Although COSCO has not proposed it directly, and some experts express the opportunities of China's future positioning in the Caribbean, it can successfully break into the Caribbean Cruises sector by acquiring cruise ships and reconditioning them to the "Chinese style", in a first stage; and building new ships equipped with the most modern technologies. For this venture, the Chinese company could take advantage of several tourist destinations for their natural, historical and heritage values in countries such as Bahamas, Cuba, Jamaica, Trinidad and Tobago, Antigua and Barbuda, Dominica, Dominican Republic, as well as other island destinations (Perelló 2018).

In the telecommunications sector, Huawei has stood out as one of the most successful Chinese private companies. In fact, it is a leading global provider of Information and Communications Technology (ICT) solutions. The ICT Company's solutions, products and services are used in 170 countries and areas, and serve more than a third of the world's population. With 180,000 employees, 36 joint Innovation Centers and 15 Research Centers, it has become a global company and one of the pioneers in 5G technology (Huawei 2018).

In the third quarter of 2018, Huawei together with the other Chinese company Xiaomi helped the growth of global smartphone sales. Globally, 1.4% more devices were marketed to end users, up to 389 million units. Smartphone sales are falling for many manufacturers. Huawei, on the other hand, grew 43% in the third quarter of 2018, and remains as the first brand in China and in third place in Europe. The distance between Samsung and Huawei continues to narrow more and more in various markets worldwide, especially because of Huawei's brand and

distribution investments in emerging markets in Africa, Asia and the Middle East. (Del Río 2018).

One of the pillars of the Chinese economy that has to be mentioned is the banking sector. It should be noted that progress in the BRI strategy implies financial resources and for this China cannot count on the existing international financial institutions such as the International Monetary Fund (IMF), the World Bank (WB) and the Asian Development Bank (ADB) under the aegis of the United States. In this sense, it began to develop its own institutions such as the Asian Investment and Infrastructure Bank (AIIB), Development Bank of the BRICS.

In 2015 BRI became official and in the same year the Chinese government also inaugurated the AIIB. China's tactic has been to create new institutions that strengthen its international position, leaving aside the role it has in the IMF. In the same way, it does not have a preponderant role in the ADB, where it has a 5% stake. The AIIB began with a subscribed capital of 50 billion dollars and an authorized capital of 100 billion dollars. This institution started operations in January 2016 and has grown to 97 approved members worldwide. Seven prospective members are from Latin America: Argentina, Bolivia, Brazil, Chile, Ecuador, Peru, Uruguay and Venezuela (AIIB 2019).

Together with the Silk Road Fund and the New Development Bank, AIIB will fund and finance new regional infrastructure projects including, but not exclusively, those covered in BRI, specifically in energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, and urban development and logistics.

China concentrates the four largest banks by volume of assets in the world, according to the list drawn up by Forbes. The fact that the Asian economy has accumulated more than a decade

growing at high rates and possessing the largest international reserves explains the exponential increase of its financial sector. In the ranking of large banks, Industrial & Commercial Bank of China heads the classification by volume of assets, with 3.62 trillion dollars in portfolio and is ranked in fourth position for profits generated, with 134.8 billion dollars. In second place is the China Construction Bank Corp., with a total of 2.94 billion dollars in assets and 13,629 domestic subsidiaries, to which are added its subsidiaries in New York, Seoul, Singapore, Tokyo, Sydney or Barcelona. In third and fourth places are also the Agricultural Bank of China, with a volume of 2.82 billion dollars in assets and the Bank of China, the oldest in the country (1912), whose volume of assets reaches 2.63 trillion dollars. The fifth place was occupied by an English bank HSBC and the sixth by the American JP Morgan (Economic Digital News 2017).

### **BRI's progress towards Latin America and the Caribbean: impact of the economic-financial dimensions.**

The progress of BRI towards the Latin America and the Caribbean region occurred with the incorporation of Panama to the Economic Belt of the Silk Road of the 21st Century. The Central American nation has been one of the last to break ties with Taiwan and officially recognize the Popular Republic of China. On the same day of the establishment of diplomatic relations, one of the big private companies, China Landbridge Group, began the construction of the mega-port Panama Colón Container Port that will have docks for the Super Post-Panamax ships.

The expansion of the canal will allow the servicing of large vessels, known as "Neo-Panamax" and "Super Post-Panamax". Its construction, which is in charge of the Chinese group Landbridge, will mean an investment of the order of 1,100 million dollars and will provide this port terminal with a handling capacity of up to 2.5 million TEU (unit of measure equivalent to

a container 20 feet long, that is, 6.09 meters long). China is currently the second user of the Panama Canal and the main supplier of the Colon Free Zone, the main distribution center of the American continent. In December 2017, Panama and China signed, during the Panama President's historic visit to China, a memorandum of understanding (MOU) for the participation of the Central American nation in BRI (Rodríguez 2017).

In the same month, both nations signed other agreements within BRI. One of those was the Panama - Chiriqui Railway Project, in which the company that will carry it out will be China Railway Design. This is in feasibility study and is expected to be built in 2022 with an estimated investment plan of 5.5 billion of dollars. The Chinese government signed two documents for the financing of the feasibility study of the railway project. The first was endorsed by the Chinese Minister of Commerce and the Chancellor in charge of Panama, the second was an exchange of notes with which China will offer scholarships, seminars and other projects. This railway system will travel almost the entire national territory with a distance of 450 km in two and a half hours. Although in May 2019 was the presidential elections, the current Panama's president intends to leave reserved the right to the land, the route defined in addition to the feasibility study and a preliminary draft so that the next government can tender it (Chinaenamericalatina 2018).

Trinidad and Tobago was the second country in the area to join to BRI. Bolivia followed in June 2018 and from August of the same year, Guyana, Uruguay, Antigua and Barbuda, Venezuela, Costa Rica, Dominica, Granada, Suriname, Chile, and Dominican Republic. Cuba joined in November 2018 with the visit of Cuban President Miguel Díaz-Canel. Subsequently, Ecuador, Argentina, Barbados, Jamaica and Peru were incorporated (Yidai Yilu website 2019).

Of the total of the Latin American and Caribbean member of the BRI, 13 are countries in the Greater Caribbean area.

China bases BRI's progress towards LAC based on three geopolitical objectives, in the author's opinion: to become a relevant actor through its economic-financial capabilities, to expand its foreign relations, and to balance American power in the region with a view to creating a multipolar international order.

The fact that 13 countries joined BRI within the Greater Caribbean, is relevant for the development of China's upcoming strategies in the space of the extensions of new BRI corridors. The Investments in the Caribbean are moderate, but it's has a great impact on local economies. As previously mentioned, the Caribbean along with Central America is especially important for China due to the presence of the Chinese province of Taiwan.

Of 17 nations in the world that has diplomatic relations with Taiwan, three are located in Central America (Guatemala, Honduras and Nicaragua), while five are from the Caribbean (Belize, Haiti, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia). The Dominican Republic and El Salvador broke relations in 2018 with Taipei to establish them with Beijing; it could be expected in the future that something similar could happen with Haiti or other country of the area. Undoubtedly the Asian island has favored these nations with assistance especially linked to the issues of climate change and investments.

The attention given by the Asian giant has been important for the development of some Caribbean islands such as the Bahamas with the construction of several tourist resorts, which includes five different hotels along with other facilities and the National Stadium at a cost of around 3.5 billion of dollars. On the other hand, it has contributed to the construction of

infrastructures such as the Conference Center and a theater in Barbados, while in Antigua and Barbuda a new airport terminal to give some examples (Perelló 2018).

According to (García 2018), the growing Chinese influence in Latin America and the Caribbean (LAC) can be interpreted as a result of mistakes made by USA in the region, as well as the growing questioning of US hegemony in what they themselves have considered their 'back yard'. Some of the consequences are the exponential growth of Chinese investments and trade with LAC; the diplomatic recognition of Costa Rica (2007), Panama (2017) and El Salvador (2018) to China in counterpoint to Taiwan; the decision of Venezuela to put the price of its oil in Chinese yuan instead of dollars and the association with China for the exploitation of the Orinoco Belt creating the bi-national company Sinovesa; the interoceanic canal project in Nicaragua; and the fact that seven Latin American countries joined the Asian Infrastructure Investment Bank to build roads, railways, ports and tunnels, among others.

Other agreements that condition the participation of Chinese companies are those developed in Brazil, Uruguay and Bolivia, these last two members of BRI. In the case of Brazil, the West-east Integration Railway project was completed, which will cross the city of Ilheus in the state of Bahia, to Figueiropolis in the state of Tocantins. The development of this work was by another of the large infrastructure companies of China the CRG, together with Valec Engenharia, Construções e Ferrovias S.A. The beginning of this was in October 2010 and it was planned to conclude in June 2018 with an investment of 550 million dollars. This railway consisted in the construction of seven railway stretches between the cities Ilheus and Barreiras, with the intention of taking the soybean from the center of West to the port of Bahia, which is vital for the supply of this product to China, especially in of the commercial tensions unleashed

with the United States in 2018. The project has had several difficulties, among them such as the delay in the execution period or cost overruns, among others (Chinaenamericalatina 2018).

In the process of greater interrelation between China and Latin America and the Caribbean, the financial issue has also been key. It is currently the main source of financing for the region having outperformed all other lenders together. In turn, several Latin American nations have signed currency exchange agreements with the Popular Bank of China (central bank) for an amount equivalent to around 49.2 billion dollars. The agreements have been made with the purpose of strengthening reserve positions and promoting bilateral trade. Argentina established an exchange agreement for an amount of 11 billion dollars, Brazil for 30 billion dollars, Chile for 8 billion dollars and Suriname for 160 million dollars (Forum China-CELAC 2018). At the same time, China has authorized two yuan compensation banks in Argentina and Chile. However, the only country in the Western Hemisphere to implement the yuan exchange with China has been Brazil.

Chinese banks have established more than ten branches in the region. The Industrial and Commercial Bank established offices in Argentina, Brazil, Colombia, Peru and Mexico; while the Bank of China in Brazil, Colombia and Panama. In the case of the Construction Bank, it has a presence in Brazil and Chile; in as much the Bank of Development in Brazil and Venezuela. These agreements were aimed at facilitating investment and trade in yuan, but were also established to improve financial conditions through the use of these loans as a measure of relief in the face of a weakening of foreign exchange reserves, a particular situation in Argentina (CEPAL 2018).

The yuan is an increasingly important currency as a reserve asset. In 2017, it was the sixth worldwide and it is expected that in the short term it will displace the Canadian dollar. However,

the yuan is far from approaching the US dollar and the euro, while it must still exceed the pound sterling and the Japanese yen. Since 2016, the Chinese currency is part of the currencies that form the special drawing rights of the IMF and, therefore, can be used as one of the currencies to grant loans. Already more than 60 nations and regions exist that have the yuan as part of their international reserves, and have included it in the portfolio of sovereign funds.

Some authors reflect that some countries participants at BRI conditions fall into the so-called external debt trap. In this sense, Ríos (2018) note that their credits increase the foreign debt and their landings aggravate trade deficits. The spiral may result in the need to request new credits to get out of the debt crisis that China can address by establishing in-kind payments of various types and introducing the yuan on a larger scale. (...) China's "easy money" model offers new opportunities and provides more options than previously available, but it also has its risks for China, including non-payment and the mobilization of its competitors. However, it is important to note, that the increase in debt is a consequence of the strategy of the governments of the participants countries, those who have the greatest responsibility for indebtedness. Faced with the criticisms, China raises the quest for alternatives to counteract this situation.

## Conclusions

*The Belt and Road Initiative*, at the same time that advances the internal economic development of China and contributes to the progress of the countries involved, also conditions a more active role of the Chinese big companies. The global business environment has become more competitive and aggressive in the sense that the companies of the Asian giant have a great financial backing. On the other hand, it will be very difficult for European and other regional companies to compete alone. However, in view of the growing need for cooperation, it can carry out joint projects with Chinese companies.

BRI is the largest project undertaken in the current century with extra continental dimensions which represents opportunities for companies in China, but also in the United States, Europe and Japan. The necessity of infrastructure construction only in Asia exceeds the capabilities of the Asian giant and therefore needs the cooperation and complementation of other major economies. Other regions, such as Africa and Latin America and the Caribbean, also demand high resources to be able to undertake such major projects within the framework of BRI.

The growing participation of Chinese companies in various strategic sectors such as construction of infrastructure, technology, banking, energy, among others, raises concerns in the main powers that may be displaced and seek alternatives. The Chinese development dynamic itself has allowed an accelerated development of its companies with greater financial capabilities and to undertake large projects outside of China. The internationalization of the great Belt and Road project focuses on a new development model with a more cooperative participation of the entities that participate in it. However, there are concerns about the successful development of some of its projects with quality, with the established environmental requirements, as well as the successful conclusion in conflictive areas.

BRI's advancement towards Latin America and the Caribbean is not only beneficial for China, but to for the region in general, that requires infrastructure and insertion in the most advanced trends of the new Industrial Revolution 4.0. China is interested in investing with high technology in LAC in electricity, telecommunication and infrastructure in general, but the region needs a strategy with China. The bilateral projects are goods, but is necessary the connectivity and the cooperation. In this sense, the integration is very important and more the willpower of the Latin-American governments to change the current economic models. A Latin American and Caribbean strategy towards China within the framework of BRI, can contribute

to a greater regional interconnection. At the same time, facilitate the trade and investment, not only of the Member States, but also of China and the United States itself.

According to (Molina 2010) Adam Smith argued that each country should specialize in the production and export of those goods for which it would have absolute advantages. This meant that each country had to specialize in the production of those products for which, absolutely, the largest economy of labor expenses was obtained. The British economist David Ricardo of the nineteenth century, explained that foreign trade based on comparative advantages can, under certain circumstances, to be a way to economize effectively on living expenses and dead labor on a national scale.

The Chinese initiative raises the emergence of a new theory, regardless of the traditional way of existing foreign trade. The BRI does not promote the productive specialization of each country, or the interrelation through the comparative advantages of David Ricardo. This promotes the shared and interconnected development not only of infrastructures that allow boosting the commerce, but with the support of the technological advance sharing the absolute advantages of some of the parties united to the common interest of all the parts. The Chinese project can motivate the criticism of generating dependency, but with a correct strategy of the participating countries and China, can open the way to a theory of shared advantages in the 21st century.

## Notes

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